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HEDBERG

E.O. 12958: DECL: 09/21/2017

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SUBJECT: ECUADOR'S CIVIL AVIATION UNDER SECRETARY RESIGNS

REF: QUITO 1353

11. (SBU) Summary: Ecuador's 28-year old Under Secretary for Aviation and Airports, Juan Francisco Ospina, resigned September 5, after a series of particularly public disputes in the aviation industry. Early this year, the government of Ecuador created a new under secretariat in its Ministry of Transport in an effort to separate politics from the technical work of the General Directorate of Civil Aviation (DGAC). Under Secretary Ospina, a former lawyer for American Airlines, assumed the head of the newly-formed National Civil Aviation Council (CNAC), and with it, became the focal point of debates on fuel subsidies for domestic carriers, construction at the new Quito airport, airport service fees and rumors of his own conflicts of interest. His replacement is Captain Guillermo Bernal, a member of the Ecuadorian army.
End summary.

FUEL SUBSIDIES FOR DOMESTIC CARRIERS

12. (SBU) In July 2007, controversy arose among domestic carriers, who asserted that LAN Chile is operating illegally as a domestic carrier (LAN Ecuador). Pressure mounted until the National Civil Aviation Council (CNAC) announced that it would suspend the company's license. The CNAC asserted that LAN Ecuador was really LAN Chile, but that it benefited from domestic fuel rates, which are subsidized by the GOE. It said LAN used Chilean-registered planes, had no facilities in Ecuador, and had no flights that originated in Ecuador. LAN Ecuador countered that it had complied with all requirements to operate as a domestic carrier in 2001, and that it maintains over 500 Ecuadorian direct hire employees.

13. (SBU) The CNAC did not suspend LAN's license, but is now considering whether to renew its operating concession, which expires in October. In September, the new Minister of Transport, Hector Villagran, told the press that LAN Ecuador has continued to operate but is paying the international rate for fuel (current domestic rate is \$1.10/gallon, compared to \$2.30/gallon for international carriers). Ospina cited LAN Ecuador as one of the reasons for his resignation -- saying that it was outrageous for them to continue to operate as a domestic carrier. (Note: In a meeting with the Embassy, U.S. carriers also identified the differential fuel rates as a concern. In addition to noting that LAN Ecuador has received a competitive advantage from the lower fuel rates, they noted that Ecuadorian carrier Aerogal will begin flying scheduled cargo and charter services to the U.S. in December, in direct competition with U.S. carriers).

DGAC JOINS THE AIRPORT FEE DISPUTE

¶4. (SBU) In June, Ospina had challenged whether the new Quito airport was properly licensed (reftel). Difficulties between the DGAC and the Municipality of Quito continued in July, when the Directorate's Director General, Cesar Posso, wrote two letters of warning to the Quito airport concessionaire Quiport, in response to complaints of discriminatory treatment from American Airlines over their ongoing fee dispute (septel). The Civil Aviation Council later aligned itself with the airlines in August when it issued a decision stressing that "municipalities must regulate, in conformity with the law, all airport fees and rights, whether in airports directly operated and administered by municipalities or by concessions." (Note: post understands this statement to mean that the Council agreed with the airline criticism that the Municipality has devolved authority for fee increases to Quiport, and that increases should be more carefully regulated.) Ospina also made statements against the airport concessionaire to the press as he cleaned out his office.

COMMENT

¶5. (C) Ospina held weight with former Transport Minister and current candidate for the Constituent Assembly, Trajano Andrade, but post now believes that his brush with powerful Quito mayor Paco Moncayo over construction authority at the new airport in June may have drawn the reprobation of more senior members of the GOE. Rather than toning down public debate on aviation problems, Ospina made them more visible. He also did not seem to think twice about dragging the DGAC into legal and what should be purely commercial matters. Captain Guillermo Bernal, his bureaucratically cautious replacement, is an army-trained helicopter pilot and instructor who has flown presidents of the republic. At a September 17 introductory meeting with Econoffs, Bernal stressed that his office would highlight "transparency" -- possibly implying that this had not been a priority for the previous Under Secretary. He and his two advisors were not familiar with Open Skies (though an agreement was proposed to Ospina months ago), but promised to study the model text with an eye toward modernizing Ecuador's aviation and furthering good relations with the U.S. End comment.

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